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RENTAL & CO-OP HOUSING in RURAL AREAS

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PA-800



RENTAL & CO-OP HOUSING in RURAL AREAS

Loans for rental and cooperative housing for senior citizens and other residents in rural areas

The Farmers Home Administration, under Title V of the Housing Act of 1949, as amended, makes loans to provide rental and cooperatively-owned housing in rural areas for senior citizens, 62 years of age or older, other rural residents, and for low to moderate income urban residents who work in a rural area.

These loans fill a housing credit gap in rural areas and offer an opportunity for senior citizens to maintain their independence and to live out their lives in dignity in the communities where they have spent their working days and where their roots are deepest. They also increase the supply of adequate rental housing for low to moderate income families.

Questions and answers explaining details of these loans follow:

How may loan funds be used?

Loan funds may be used to build, buy, improve, or repair rental housing designed to meet the needs of senior citizens who are capable of caring for themselves and for other low or moderate income rural families. Housing may consist of apartment buildings, duplex units, or individual detached houses or cottages suitable for independent living. Funds may also be used to provide appropriate recreational and service facilities, to buy and improve the land on which the buildings are to be located, and to develop the water, sewage disposal, heat, and light systems needed for the housing. Loans may not be made for nursing, special care, or institutional types of homes.

Who may borrow?

Loans may be made to private nonprofit corporations or cooperatives.

Loans may also be made to individuals, trusts, associations, partnerships, cooperatives and corporations, including municipal corporations or other corporate agencies of a State or local government.

Applicants must be able to incur the obligations of the loan, give adequate security, and have suffi-

cient income for repayment. They must also have the ability and intention of maintaining and operating the housing for the purposes for which the loan is made.

Loans are made only to applicants who are unable to finance the housing either with their own resources or with credit obtained from private sources.

Who may represent an applicant?

If an authorized representative of the applicant acts in the applicant's behalf, he should be a person who has no financial interest in the award of the architectural or construction contract or the purchase and improvement of the land for the housing site.

Who may occupy the housing financed with a rural rental or cooperative housing loan?

Housing must be for senior citizens or other families with low or moderate incomes. The maximum income level for occupancy will be established by the Farmers Home Administration.

No discrimination will be permitted in the occupancy of the housing because of race, color, creed, or national origin.

What is a rural area?

A rural area includes, besides open country, small rural towns of not more than 5,500 population which are not part of or associated with an urban or suburban area.

What are the terms and interest rate?

A borrower obtaining a loan pays interest on the unpaid principal. If the borrower is a private nonprofit organization or a cooperative that will provide housing for low to moderate income families it may qualify for interest credits to reduce the effective interest rate. Maximum repayment period for a loan is 50 years. Each borrower is required to refinance the unpaid balance of the loan when able to obtain such refinancing at reasonable rates and terms from other lenders.

What are the limits on the size of a loan?

A loan may not exceed \$300,000, less any other debts against the security, or the development cost, or the value of the security, whichever is least. The Farmers Home Administration will make an appraisal of the security property to determine its value.

How will planning and construction be performed?

The applicant is expected to obtain technical assistance such as architectural and engineering services needed to properly plan and construct the housing. Funds will be disbursed under supervision of the Farmers Home Administration. The agency reviews the plans and inspects the work as it progresses to help the borrower obtain sound and acceptable construction.

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What standards must be met by housing financed with these loans?

Buildings and water, sewage disposal, heating and electrical systems financed with these loans must be well constructed and conform with any applicable laws, ordinances, codes, and regulations governing construction, heating, plumbing, electrical installation, fire prevention, and health and sanitation.

The housing must be constructed in an economical manner and not be of elaborate or extravagant design or materials.

When can construction be started?

The applicant must wait until the loan is closed before starting any construction or incurring any debts for material or labor to be used in the housing or related facilities. The borrower and contractor building the housing must comply with requirements regarding equal employment oppor-

tunities for qualified persons regardless of race, color, creed, or national origin.

Where can information be obtained on rural rental and cooperative housing loans?

Detailed information on loans for rental or cooperative housing may be obtained at the Farmers Home Administration county office serving the area where the housing is to be located. The Farmers Home Administration county supervisor will be glad to discuss the credit needs and offer advice on how to proceed with an application. Anyone unable to locate the local office may write to the Farmers Home Administration, U. S. Department of Agriculture, Washington, D.C. 20250.

What security is required?

Each loan will be adequately secured to protect the interest of the Government. Ordinarily, a

mortgage will be taken on the housing, including the site. When necessary, additional security may be required.

What are the sources of loan funds?

Money for insured loans is provided by banks, insurance companies, retirement funds, and other sources of investment funds.

Where do applicants apply for these loans?

At the Farmers Home Administration county office serving the area where the housing is to be provided.

How do rural rental or cooperative housing loans aid in rural areas development?

Housing facilities for senior citizens and other rural families help round out a rural community and make it a more desirable place in which to



live. The construction of the housing also provides employment for carpenters, plumbers, masons, and others and boosts sales of construction materials and home furnishings.

What other assistance is available for housing?

The Farmers Home Administration also makes loans to eligible rural families which include elderly people, 62 years of age and over, to buy a building site or an existing dwelling as well as to build or improve their homes. When applicants do not have enough income to repay a rural housing loan they may use cosigners to assure loan payments.

Loans may be made to farmowners, associations of farmers, nonprofit organizations and public bodies to provide housing for domestic farm workers.

Public bodies may qualify for a grant for part of the cost of housing for domestic farm labor.

What other loans are made by the Farmers Home Administration?

The agency also makes loans to pay farm and home operating expenses; buy and develop family farms; install or improve drainage and irrigation facilities; establish soil conservation measures; install or improve rural water and waste disposal systems, including sewers; develop community recreational facilities; carry out small watershed projects; meet emergency credit needs of farmers suffering from a natural disaster, such as hail, flood, or drought; help low-income families develop small business enterprises and cooperative services; develop grazing associations, and build rural renewal projects.

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